

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2016, December 31, 2015 and September 30, 2015
(September 30, 2016 and 2015 are reviewed, not audited)
(in thousands of New Taiwan dollars)

Assets	2016.9.30	2015.12.31	2015.9.30
Current assets:			
Cash and cash equivalents	\$ 36,622,476	44,621,527	36,374,829
Financial assets at fair value through profit or loss — current	458,393	791,575	622,370
Available-for-sale financial assets — current	96,058	93,313	142,318
Investments in debt securities with no active market — current	31,366	-	-
Notes and accounts receivable, net	44,169,707	48,173,027	57,733,736
Accounts receivable from related parties	60,402	52,749	44,268
Other receivables	801,698	1,309,972	1,128,838
Other receivables from related parties	30	276	38
Current income tax assets	751,248	818,938	1,171,273
Inventories	32,154,809	34,043,598	37,327,056
Other current assets	<u>3,084,930</u>	<u>3,044,802</u>	<u>2,839,196</u>
Total current assets	<u>118,231,117</u>	<u>132,949,777</u>	<u>137,383,922</u>
Non-current assets:			
Financial assets at fair value through profit or loss — non-current	126,460	-	-
Available-for-sale financial assets — non-current	3,966,814	3,159,771	3,024,151
Investments in debt securities with no active market — non-current	170,245	-	-
Investments in associates	426,698	155,992	124,080
Property, plant and equipment	4,444,209	4,827,412	4,904,300
Investment property	1,186,465	1,192,699	1,202,257
Intangible assets	24,713,658	26,609,427	26,985,073
Deferred income tax assets	823,592	838,146	968,619
Other non-current assets	1,334,412	1,065,370	823,917
Other financial assets — non-current	<u>961,592</u>	<u>943,609</u>	<u>1,024,198</u>
Total non-current assets	<u>38,154,145</u>	<u>38,792,426</u>	<u>39,056,595</u>
Total assets	\$ <u>156,385,262</u>	<u>171,742,203</u>	<u>176,440,517</u>

(Continued)

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2016, December 31, 2015 and September 30, 2015

(September 30, 2016 and 2015 are reviewed, not audited)

(in thousands of New Taiwan dollars)

Liabilities and Equity	2016.9.30	2015.12.31	2015.9.30
Current liabilities:			
Short-term borrowings	\$ 289,976	2,584,377	492,004
Financial liabilities at fair value through profit or loss – current	326,495	318,934	193,376
Notes and accounts payable	37,779,321	42,736,897	42,271,712
Accounts payables to related parties	5,400	10,285	3,578
Other payables	36,457,329	38,793,970	41,519,478
Other payables to related parties	-	1,085	-
Current income tax liabilities	799,532	738,507	1,194,760
Provisions – current	6,157,717	6,979,705	6,836,997
Current portion of bonds payable	-	5,966,431	5,944,933
Current portion of long-term debt	-	1,800,000	3,600,000
Other current liabilities	<u>2,695,366</u>	<u>2,645,901</u>	<u>3,317,742</u>
Total current liabilities	<u>84,511,136</u>	<u>102,576,092</u>	<u>105,374,580</u>
Non-current liabilities:			
Long-term debt	6,000,000	-	1,800,000
Provisions – non-current	95,633	94,946	110,786
Deferred income tax liabilities	1,391,882	1,437,179	1,435,184
Other non-current liabilities	<u>1,794,206</u>	<u>1,778,885</u>	<u>1,573,069</u>
Total non-current liabilities	<u>9,281,721</u>	<u>3,311,010</u>	<u>4,919,039</u>
Total liabilities	<u>93,792,857</u>	<u>105,887,102</u>	<u>110,293,619</u>
Equity:			
Common stock	30,807,328	30,854,428	30,854,428
Capital surplus	34,746,020	36,232,755	36,304,464
Retained earnings:			
Legal reserve	145,190	93,166	93,166
Special reserve	1,306,709	838,498	838,498
Unappropriated earnings	833,314	520,235	283,177
Other reserves	(2,335,784)	228,505	685,935
Treasury stock	<u>(2,914,856)</u>	<u>(2,914,856)</u>	<u>(2,914,856)</u>
Equity attributable to shareholders of the Company	<u>62,587,921</u>	<u>65,852,731</u>	<u>66,144,812</u>
Non-controlling interests	<u>4,484</u>	<u>2,370</u>	<u>2,086</u>
Total equity	<u>62,592,405</u>	<u>65,855,101</u>	<u>66,146,898</u>
Total liabilities and equity	<u>\$ 156,385,262</u>	<u>171,742,203</u>	<u>176,440,517</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

**For the three-month periods ended September 30, 2016 and 2015, and
For the nine-month periods ended September 30, 2016 and 2015
(in thousands of New Taiwan dollars, except earnings per share data)
Reviewed, Not Audited**

	July 1, 2016 ~ September 30, 2016	July 1, 2015 ~ September 30, 2015	January 1, 2016 ~ September 30, 2016	January 1, 2015 ~ September 30 2015
Revenue	\$ 58,592,567	67,239,030	171,070,410	195,392,331
Cost of revenue	<u>53,015,406</u>	<u>61,768,663</u>	<u>153,421,688</u>	<u>176,940,525</u>
Gross profit	<u>5,577,161</u>	<u>5,470,367</u>	<u>17,648,722</u>	<u>18,451,806</u>
Operating expenses:				
Selling expenses	3,591,586	4,614,591	11,840,576	12,986,801
Administrative expenses	1,104,808	1,157,357	3,415,672	3,547,608
Research and development expenses	<u>441,190</u>	<u>564,140</u>	<u>1,524,020</u>	<u>1,670,353</u>
Total operating expenses	<u>5,137,584</u>	<u>6,336,088</u>	<u>16,780,268</u>	<u>18,204,762</u>
Other operating income and loss – net	<u>31,653</u>	<u>161,425</u>	<u>190,689</u>	<u>242,597</u>
Operating income (loss)	<u>471,230</u>	<u>(704,296)</u>	<u>1,059,143</u>	<u>489,641</u>
Non-operating income and loss:				
Other income	219,498	294,447	366,526	448,179
Other gains and losses – net	(281,689)	799,957	(32,762)	52,834
Finance costs	(40,890)	(63,057)	(171,764)	(293,479)
Share of profits (losses) of associates and joint venture	<u>(7,905)</u>	<u>439</u>	<u>(8,931)</u>	<u>(1,855)</u>
Total non-operating income and loss	<u>(110,986)</u>	<u>1,031,786</u>	<u>153,069</u>	<u>205,679</u>
Income before taxes	360,244	327,490	1,212,212	695,320
Income tax expenses	<u>111,657</u>	<u>136,596</u>	<u>378,982</u>	<u>328,842</u>
Net income for the period	<u>248,587</u>	<u>190,894</u>	<u>833,230</u>	<u>366,478</u>
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(1,790,090)	3,336,739	(3,069,565)	791,501
Change in fair value of available-for-sale financial assets	209,277	(591,200)	497,582	(1,112,014)
Income tax benefit (expense) related to items that may be reclassified subsequently to profit or loss	<u>(1)</u>	<u>335</u>	<u>(118)</u>	<u>1,035</u>
Total amounts of items that may be subsequently reclassified to profit or loss	<u>(1,580,814)</u>	<u>2,745,874</u>	<u>(2,572,101)</u>	<u>(319,478)</u>
Other comprehensive income (loss) for the period, net of taxes	<u>(1,580,814)</u>	<u>2,745,874</u>	<u>(2,572,101)</u>	<u>(319,478)</u>
Total comprehensive income (loss) for the period	<u>\$ (1,332,227)</u>	<u>2,936,768</u>	<u>(1,738,871)</u>	<u>47,000</u>
Net income attributable to:				
Shareholders of the Company	248,730	190,855	833,314	366,622
Non-controlling interests	<u>(143)</u>	<u>39</u>	<u>(84)</u>	<u>(144)</u>
	<u>\$ 248,587</u>	<u>190,894</u>	<u>833,230</u>	<u>366,478</u>
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	(1,333,716)	2,936,773	(1,740,985)	47,171
Non-controlling interests	<u>1,489</u>	<u>(5)</u>	<u>2,114</u>	<u>(171)</u>
	<u>\$ (1,332,227)</u>	<u>2,936,768</u>	<u>(1,738,871)</u>	<u>47,000</u>
Earnings per share (in New Taiwan dollars):				
Basic earnings per share	<u>\$ 0.08</u>	<u>0.06</u>	<u>0.28</u>	<u>0.12</u>
Diluted earnings per share	<u>\$ 0.08</u>	<u>0.06</u>	<u>0.27</u>	<u>0.12</u>

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2016 and 2015
(in thousands of New Taiwan dollars)
Reviewed, Not Audited

	Attributable to shareholders of the Company														
	Retained earnings						Other reserves					Treasury stock	Total	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Unrealized gain (loss) from available-for-sale financial assets	Remeasurements of defined benefit plans	Unearned compensation cost arising from restricted shares of stock issued to employees	Total				
Balance at January 1, 2015	\$ 27,965,678	34,098,396	-	-	903,649	903,649	1,183,808	(114,205)	28,015	(251,710)	845,908	(3,186,038)	60,627,593	2,257	60,629,850
Appropriation approved by the stockholders:															
Legal reserve	-	-	93,166	-	(93,166)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	838,498	(838,498)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Change in equity of investments in associates	-	(3,755)	-	-	-	-	-	-	-	-	-	-	(3,755)	-	(3,755)
Issuance of new shares of cash	3,000,000	2,400,000	-	-	-	-	-	-	-	-	-	-	5,400,000	-	5,400,000
Retirement of treasury stock	(100,000)	(115,752)	-	-	(55,430)	(55,430)	-	-	-	-	-	271,182	-	-	-
Retirement of restricted shares of stock issued to employees	(11,250)	11,250	-	-	-	-	-	-	-	-	-	-	-	-	-
Compensation cost arising from restricted shares of stock issues to employees	-	(85,675)	-	-	-	-	-	-	-	159,478	159,478	-	73,803	-	73,803
Net income for the period	-	-	-	-	366,622	366,622	-	-	-	-	-	-	366,622	(144)	366,478
Other comprehensive income (loss) for the period	-	-	-	-	-	-	792,563	(1,112,014)	-	-	(319,451)	-	(319,451)	(27)	(319,478)
Total comprehensive income (loss) for the period	-	-	-	-	366,622	366,622	792,563	(1,112,014)	-	-	(319,451)	-	47,171	(171)	47,000
Balance at September 30, 2015	\$ 30,854,428	36,304,464	93,166	838,498	283,177	1,214,841	1,976,371	(1,226,219)	28,015	(92,232)	685,935	(2,914,856)	66,144,812	2,086	66,146,898
Balance at January 1, 2016	\$ 30,854,428	36,232,755	93,166	838,498	520,235	1,451,899	1,437,412	(1,104,565)	(64,376)	(39,966)	228,505	(2,914,856)	65,852,731	2,370	65,855,101
Appropriation approved by the stockholders:															
Legal reserve	-	-	52,024	-	(52,024)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	468,211	(468,211)	-	-	-	-	-	-	-	-	-	-
Other changes in capital surplus:															
Cash distributed from capital surplus	-	(1,519,523)	-	-	-	-	-	-	-	-	-	-	(1,519,523)	-	(1,519,523)
Change in equity of investments in associates	-	(14,312)	-	-	-	-	-	-	-	-	-	-	(14,312)	-	(14,312)
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	-	10,010	10,010	-	10,010	-	10,010
Retirement of restricted shares of stock issued to employees	(47,100)	47,100	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	833,314	833,314	-	-	-	-	-	-	833,314	(84)	833,230
Other comprehensive income (loss) for the period	-	-	-	-	-	-	(3,071,881)	497,582	-	-	(2,574,299)	-	(2,574,299)	2,198	(2,572,101)
Total comprehensive income (loss) for the period	-	-	-	-	833,314	833,314	(3,071,881)	497,582	-	-	(2,574,299)	-	(1,740,985)	2,114	(1,738,871)
Balance at September 30, 2016	\$ 30,807,328	34,746,020	145,190	1,306,709	833,314	2,285,213	(1,634,469)	(606,983)	(64,376)	(29,956)	(2,335,784)	(2,914,856)	62,587,921	4,484	62,592,405

ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2016 and 2015

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2016 ~ September 30, 2016	January 1, 2015 ~ September 30, 2015
Cash flows from operating activities:		
Income before taxes	\$ <u>1,212,212</u>	<u>695,320</u>
Adjustments for:		
Depreciation	470,843	524,343
Amortization	662,108	751,626
Interest expense	171,764	293,479
Interest income	(145,574)	(207,998)
Dividend income	(220,952)	(240,181)
Share-based compensation cost	10,010	149,697
Effects of exchange rate changes on bonds payable	-	(103,634)
Share of profits (loss) of associates and joint venture	8,931	1,855
Loss on disposal of property, plant and equipment	6,754	3,714
Gain on purchase of bonds payable	-	(446,429)
Other investment gain	(2,841)	(21,801)
Total profit and loss	<u>961,043</u>	<u>704,671</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Derivative financial assets and liabilities	214,283	1,346,911
Notes and accounts receivable	4,003,320	1,433,995
Receivables from related parties	(7,653)	(20,431)
Inventories	1,878,894	(741,020)
Other receivables and other current assets	467,248	286,827
Non-current accounts receivable	-	45,894
Net changes in operating assets	<u>6,556,092</u>	<u>2,352,176</u>
Net changes in operating liabilities:		
Notes and accounts payable	(4,957,576)	(12,552,700)
Payables to related parties	(5,970)	(11,171)
Other payables and other current liabilities	(2,259,341)	14,013
Provisions	(821,301)	(2,152,415)
Other non-current liabilities	15,321	(130,754)
Net changes in operating liabilities	<u>(8,028,867)</u>	<u>(14,833,027)</u>
Total changes in operating assets and liabilities	<u>(1,472,775)</u>	<u>(12,480,851)</u>
Cash provided by (used in) operations	700,480	(11,080,860)
Interest received	140,769	196,276
Income taxes paid	(499,643)	(214,899)
Net cash provided by (used in) operating activities	<u>341,606</u>	<u>(11,099,483)</u>

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ACER INCORPORATED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2016 and 2015

(in thousands of New Taiwan dollars)

Reviewed, Not Audited

	January 1, 2016 ~ September 30, 2016	January 1, 2015 ~ September 30, 2015
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(381,167)	(335,640)
Proceeds from disposal of available-for-sale financial assets	-	11,948
Proceeds from capital return of available-for-sale investments	43,252	110,635
Purchase of investments in debt securities with no active market	(204,556)	-
Decrease (Increase) in advances to related parties	246	(29)
Acquisition of investments accounted for using equity method	(295,056)	-
Additions to property, plant and equipment	(112,949)	(172,761)
Proceeds from disposal of property, plant and equipment	5,245	56,777
Additions to intangible assets	(3,802)	(55,302)
Increase in other non-current financial assets and other non-current assets	(183,161)	(50,635)
Dividend received	<u>220,952</u>	<u>240,181</u>
Net cash used in investing activities	<u>(910,996)</u>	<u>(194,826)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(2,294,401)	175,004
Purchase of bonds payable	(6,000,000)	(3,677,046)
Increase in long-term debt	6,000,000	-
Repayment of long-term debt	(1,800,000)	(1,800,000)
Issuance of new shares for cash	-	5,400,000
Cash distributed from capital surplus	(1,519,523)	-
Interest paid	<u>(155,455)</u>	<u>(144,359)</u>
Net cash used in financing activities	<u>(5,769,379)</u>	<u>(46,401)</u>
Effects of foreign exchange rate changes	<u>(1,660,282)</u>	<u>156,888</u>
Net decrease in cash and cash equivalents	(7,999,051)	(11,183,822)
Cash and cash equivalents at beginning of period	<u>44,621,527</u>	<u>47,558,651</u>
Cash and cash equivalents at end of period	\$ <u>36,622,476</u>	<u>36,374,829</u>